

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of National Alliance Insurance Company as of December 31, 2006

ORDER

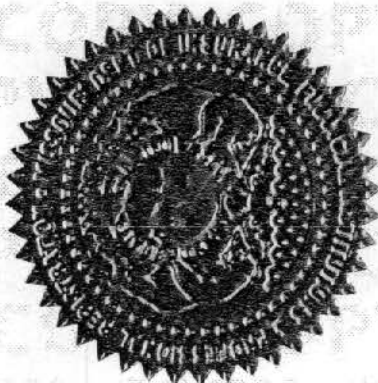
After full consideration and review of the report of the financial examination of National Alliance Insurance Company for the period ended December 31, 2006, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Linda Bohrer, Acting Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER National Alliance Insurance Company, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this June 20, 2008.

Linda Bohrer

Linda Bohrer, Acting Director
Department of Insurance, Financial Institutions
and Professional Registration



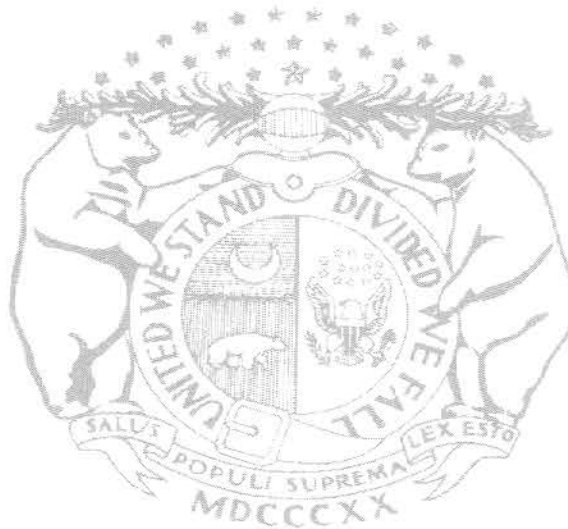
REPORT OF
FINANCIAL EXAMINATION

National Alliance Insurance Company

As of:

DECEMBER 31, 2006

FILED
JUN 30 2008
DIRECTOR OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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May 6, 2008
Maryland Heights, Missouri

Honorable Alfred W. Gross, Commissioner
Bureau of Insurance
Virginia State Corporate Commission
Chairman, Financial Condition (E) Committee, NAIC

Honorable Merle D. Scheiber, Director
Division of Insurance
State of South Dakota
Secretary, Midwestern Zone, NAIC

Honorable Douglas M. Ommen, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Dear Sirs:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

National Alliance Insurance Company

hereinafter referred to as such or as the "Company". The Company's office is located at 13736 Riverport Drive, Suite 700, Maryland Heights, Missouri 63043, telephone number (314) 493-8000. Examination fieldwork began on July 9, 2007, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The last comprehensive financial examination of the Company was performed as of December 31, 2002, by examiners from the state of Missouri.

The current financial examination of the Company covers the period from January 1, 2003, through December 31, 2006, and was conducted by examiners from the state of Missouri. This examination also included material transactions or events occurring subsequent to December 31, 2006.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (Department) and statutes of the state of Missouri prevailed.

Workpapers of the Company's independent auditor, Deloitte & Touche LLP, were made available to the examiners for review. Standard examination procedures were modified as deemed appropriate under the circumstances.

Comments - Previous Examination

1. Comment: Services and Facilities Agreement

Information provided by the Company illustrated that National Alliance Insurance Company incurred approximately \$5.5 million in loss adjusting and other underwriting expenses that were paid by various affiliates and subsequently reimbursed through various intercompany accounts. The Company failed to properly disclose this information in the 2002 Annual Statement, Schedule Y – Part 2 – Summary of Insurer's Transactions with Any Affiliates. The Company should report the aggregate amount of expenses paid to/received from each affiliate under the Services and Facilities Agreement in future Annual Statement filings in accordance with the National Association of Insurance Commissioners Annual Statement Instructions Property/Casualty.

Company Response:

The Company responded as follows: "In the future, the Company will report the aggregate amount of expenses paid to or received from each affiliate under the Services and Facilities Agreement."

Current Findings:

Transactions between affiliates were documented in the Annual Statement, Schedule Y – Part 2.

2. Comment: Fidelity Bond & Other Insurance

The deductible for the Company's fidelity coverage of \$10,000,000 is unreasonable as the deductible represents 73.4% of the Company's surplus at December 31, 2002. It is recommended that the Company acquire fidelity coverage with a deductible that is reasonable compared to the Company's statutory surplus.

Company Response:

The Company produced a letter from General Motors Corporation, Corporate Risk Management indicating that the \$10,000,000 deductible would be self insured by General Motors Corporation.

Current Findings:

The Company produced another letter affirming GMAC LLC's intent to self insure the large deductible portion of the fidelity coverage. Any charges made to meet the deductible would be an allocated expense to the Company.

HISTORY

General

The Company was originally incorporated as a Georgia domestic insurer known as Integon Mortgage Guaranty Corporation (IMGC). During 1991, IMGC re-domesticated from the state of Georgia to Missouri and changed its name to INGC Nation Insurance Company (INGC).

On September 30, 1992, INGC was purchased by Affinity Group Plans, Inc. On November 16, 1992, INGC changed its name to USA National Insurance Company and subsequently on March 31, 1993, to National Alliance Insurance Company. The Company reissued the stock certificate under its current name on May 7, 1996. On May 11, 2000, the Company merged with affiliate Affinity Insurance Group, Inc., a Colorado domiciled insurer with National Alliance Insurance Company being the surviving entity.

On May 15, 2002, Motors Insurance Corporation, (MIC) acquired Affinity Group Plans, Inc. MIC was owned by GMAC Insurance Holdings, Inc., which was owned by General Motors Acceptance Corporation.

The organizational structure remained unchanged until 2006, when a 51% ownership stake of General Motors Acceptance Corporation was sold to FIM Holdings, LLC, a consortium of institutional investors led by Cerberus FIM Investors, Citigroup, Inc., Aozora Bank Ltd and a subsidiary of PNC Financial Services Group, Inc. At this time, General Motors Acceptance Corporation converted its form of organization from a corporation to a limited liability company, changing its name to GMAC, LLC.

Capital Stock

The Company is authorized to issue 2,000,000 shares of common stock at a par value of \$1.50 per share. All shares were issued and outstanding as of December 31, 2006, resulting in a common capital stock account of \$3,000,000.

Dividends

The Company paid no dividends during the examination period.

Management

The Company's articles of incorporation call for a board of directors consisting of nine to twenty members. However, at December 31, 2006, there were only eight members. On November 26, 2007, the board selected another member. The board should take timely action to ensure that the appropriate number of directors serve on the board should an opening occur in the future.

Directors serving at December 31, 2006 were as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>
John C. Beattie Winston-Salem, NC	Vice President, Human Resources
Bernard J. Buselmeier Wildwood, MO	Executive Vice President and Chief Financial Officer
David S. Murphy Winston-Salem, NC	Vice President and Chief Pricing Officer
Gerald D. Filler Hudson, OH	Vice President and Chief Information Officer
Gary Y. Kusumi Town and Country, MO	Chairman, President and Chief Executive Officer
Daniel C. Pickens Winston-Salem, NC	Vice President and Chief Actuary
Sheena E. Poe Clemmons, NC	Vice President, Secretary and Chief Claims Officer
James M. Curtin Atlanta, GA	Vice President and Chief Marketing Officer

Additional officers included:

<u>Name</u>	<u>Office</u>
Donald J. Bolar	Vice President and Treasurer

<u>Name</u>	<u>Office</u>
George H. Hall, Jr.	Vice President
Verne E. Purvines (retired in 2007)	Vice President and Assistant Secretary
Thomas W. Stuertz	Vice President

Conflict of Interest

The Company and its affiliates have a policy which requires directors, officers and key employees to complete annual conflict of interest disclosure statements. Review of the most current disclosure statements found no instances of conflict of interest situations.

Corporate Records

A review was made of the articles of incorporation and bylaws of the Company. Neither document had been amended during the period being examined.

The minutes of the meetings of the stockholder and board of directors were also reviewed for the period under examination. The minutes appeared to properly document and approve applicable corporate events and transactions.

Acquisitions, Mergers and Major Corporate Events

The sale of a 51% interest in the Company's immediate parent to FIM Holdings, LLC was discussed above. Also, the Company was sold to Rockhill Insurance Company on July 2, 2007. This is discussed in more detail in the Subsequent Events section of this report.

Surplus Debentures

None.

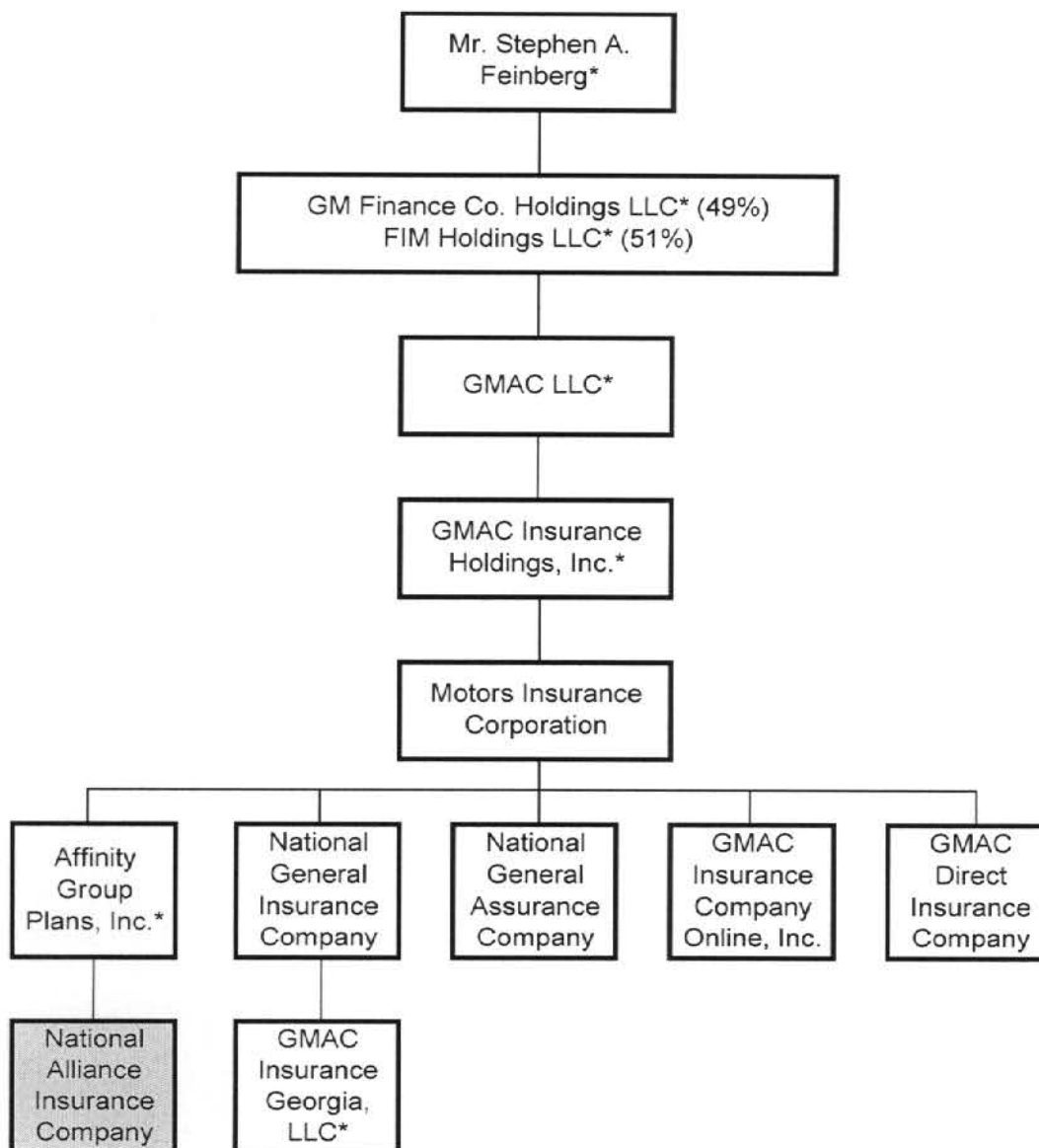
AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

National Alliance Insurance Company is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). Pursuant to Missouri Insurance Regulations 20 CSR 200-11.100 and Section 382.100 RSMo, the Company has filed Form B of the Insurance Holding Company System with the Department. The ultimate controlling person is Mr. Stephen A. Feinberg of Cerberus FIM, LLC.

Organizational Chart

The following organizational chart depicts the ownership structure of the Company as of December 31, 2006. The chart shows only the Missouri domiciled insurers and their subsidiaries and the parent companies. Mr. Feinberg controls Cerberus FIM, LLC which eventually controls FIM Holdings LLC. All subsidiaries are wholly owned and non-insurance entities are identified with an asterisk.



Intercompany Transactions

The Company is a party to several intercompany agreements, which were reviewed and summarized below. These agreements were all filed with the Missouri Department of Insurance, Financial Institutions and Professional Registration.

1. Tax Allocation Agreement

The Company operated under two tax allocation agreements during the examination period. The first was effective as of December 9, 2002, and remained in place until November 30, 2006. The parties to the agreement included General Motors Corporation, General Motors Acceptance Corporation, GMAC Insurance Holdings Incorporated and its various subsidiaries which included Motors Insurance Corporation, the parent of the Company. The current agreement became effective December 1, 2006. It is essentially the same as the previous agreement with the notable exception that General Motors Corporation and General Motors Acceptance Corporation are no longer part of the agreement.

Under these agreements, each subsidiary pays to Motors Insurance Corporation the separate subsidiary tax liability as determined by the hypothetical federal income tax return for the subsidiary. Within 15 business days prior to the date on which Motors Insurance Corporation is required to make estimated tax payments on behalf of the group, subsidiaries submit to Motors Insurance Corporation or its designee a calculation of the separate subsidiary estimated taxes, determined on the basis of the estimated separate subsidiary tax liability. Within 90 days following the filing of the consolidated federal income tax return, Motors Insurance Corporation notifies each subsidiary of the amount of the separate subsidiary tax liability and within 15 days after the notification, a settlement is made.

2. Services and Facilities Agreement

The parties to this agreement are GMAC LLC and GMAC Insurance Holdings, Inc. on behalf of all of its direct and indirect subsidiaries. The agreement is effective as of November 30, 2006, the date that FIM Holdings LLC became majority owner of GMAC LLC.

Each party agrees to furnish, upon request of the others, such qualified personnel, supplies, equipment, services and facilities reasonably and necessarily required to perform such functions as the recipient party is authorized by law to perform. The services include, but are not limited to, the performance of various administrative, marketing actuarial, financial, tax, investment, information technology, real estate management, claims and underwriting, human resources, payroll and employee benefits, corporate communications, audit, risk management and legal functions. The sole consideration for the services and facilities to be provided hereunder shall be the actual cost of the same to the supplying party, without a profit factor built into cost. Each supplying party shall render to the recipient party notification of charges and expenses incurred in connection with this agreement at no less frequently than on a quarterly basis.

3. Investment Management Agreement

The parties to this agreement are General Motors Investment Management Corporation and Motors Insurance Corporation, including this company and various other

subsidiaries. General Motors Investment Management Corporation manages the Company's cash and securities in accordance with investment guidelines established by the Company. Motors Insurance Corporation reimburses General Motors Investment Management Corporation semi-annually for the costs and expenses incurred by General Motors Investment Management Corporation. All disputes arising with respect to this agreement can be submitted to arbitration with one arbitrator to be chosen by Motors Insurance Corporation and one by General Motors Investment Management Corporation.

FIDELITY BOND AND OTHER INSURANCE

The Company is adequately insured under a crime policy issued to General Motors Corporation (GM) and affiliates. This policy provides fidelity coverage with a limit of \$350,000,000 and a deductible of \$25,000,000. The amount of the deductible is self insured by GM.

The Company is also protected by various policies issued to the affiliated group and includes liability coverages for employment practices, errors and omissions and directors and officers.

EMPLOYEE BENEFITS AND PENSION PLAN

The Company has no employees. GMAC Insurance Holdings, Inc. and other affiliates provide services under the Services and Facilities Agreement.

GMAC Insurance Holdings, Inc. provides its employees with benefits typical for the industry including, health insurance (medical, dental, vision), group life insurance, long and short term disability benefits, a retirement savings plan, pension plan and paid leave.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2006, as reflected below, were sufficient in par and market value to meet the minimum requirement of \$1,200,000 in accordance with Section 379.098 RSMo – Security Deposits.

	<u>Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
U. S. Treasury Note		<u>\$ 2,025,000</u>	<u>\$ 2,069,410</u>	<u>\$ 2,044,814</u>

Deposits with Other States

The following funds were on deposit with other states as of December 31, 2006:

<u>State</u>	<u>Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
Alaska	US Treasury Note	\$ 30,000	\$ 31,035	\$ 30,635
Arizona	US Treasury Note	30,000	30,419	30,078
Arkansas	US Treasury Note	80,000	81,118	80,207
	Comerica Bank Bond	300,000	308,048	290,683
Florida	US Treasury Note	225,000	228,146	225,581
Georgia	US Treasury Note	100,000	101,398	100,258
Louisiana	US Treasury Note	80,000	81,118	80,207
Massachusetts	US Treasury Note	120,000	121,678	120,310
New Mexico	US Treasury Note	325,000	329,544	325,840
North Carolina	US Treasury Note	510,000	517,130	511,318
South Carolina	US Treasury Note	170,000	172,377	170,439
Tennessee	US Treasury Note	35,000	35,489	35,090
Texas	US Treasury Note	60,000	60,839	60,155
Virginia	US Treasury Note	225,000	228,146	225,581
Total		<u>\$ 2,290,000</u>	<u>\$ 2,326,485</u>	<u>\$ 2,286,382</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed in Missouri under Chapter 379 RSMo (Insurance other than life) to write property, liability and miscellaneous insurance. The Company is also licensed in several other states and the District of Columbia.

The Company is no longer actively writing new business. However, when it was active, business was primarily produced through direct response programs marketed to affinity groups and associations. That business was concentrated in the mature risk, recreational vehicle and multi-car segment of the market.

Policy Forms & Underwriting; Advertising and Treatment of Policyholders

The Department has a Market Conduct staff that performs a review of these issues and generates a separate market conduct report. No market conduct examination was completed during the examination period. The most recent examination was conducted as of December 31, 2001.

REINSURANCE

The Company's premiums on a direct written and ceded basis for the current examination period were as follows:

	2006	2005	2004	2003
Direct Business	\$0	\$760	\$71,493	\$12,337,582
Reinsurance Ceded	<u>0</u>	<u>(1,145)</u>	<u>(1,303)</u>	<u>(97,415)</u>
Net Premiums	<u>\$0</u>	<u>(\$385)</u>	<u>\$70,190</u>	<u>\$122,240,167</u>

Assumed

The Company assumes no reinsurance.

Ceded

The Company is no longer writing or ceding new business. Existing recoverables are the result of a 100% ceding arrangement with an affiliate, Motors Insurance Corporation.

ACCOUNTS AND RECORDS

Independent Auditor

The Company's financial statements were audited by the firm of Deloitte & Touche LLP for the period covered by this examination.

Company Actuaries

Dan Pickens, FCAS, MAAA, provided the actuarial opinions for the Company for 2006, 2005 and 2003. The 2004 opinion was provided by Matthew Carrier, ACAS, MAAA, from the firm of Deloitte Consulting LLP.

Consulting Actuary

The Department contracted Jon W. Michelson, FCAS, MAAA, from Expert Actuarial Services, LLC to evaluate the adequacy of the Company's loss related reserves. His evaluation concluded that the Company's reserves at December 31, 2006 were adequate.

Information Systems Examination Specialist

The Department's Information Systems Examination Specialist, Andy Balas, evaluated data processing controls and no exceptions were noted.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2006, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

BALANCE SHEET

As of December 31, 2006

Assets		Nonadmitted	Net Admitted
	Assets	Assets	Assets
Bonds	\$ 17,363,940	\$ -	\$ 17,363,940
Cash	3,198,859	-	3,198,859
Investment income due and accrued	279,360	-	279,360
Amounts recoverable from reinsurers (reinsurance)	18,294	-	18,294
Current federal and foreign income tax recoverable and interest thereon	73,976	-	73,976
Receivables from parent, subsidiaries and affiliates	10,120	-	10,120
Aggregate write-ins for other than invested assets	14,649	-	14,649
Total Assets	<u>\$ 20,959,198</u>	<u>\$ -</u>	<u>\$ 20,959,198</u>
Liabilities			
Net deferred tax liability		\$	6,954
Ceded reinsurance premiums payable			(4,528)
Total Liabilities		\$	<u>2,426</u>
Surplus			
Common capital stock		\$	3,000,000
Gross paid in and contributed surplus			32,008,824
Unassigned funds (surplus)			<u>(14,052,052)</u>
Surplus as regards policyholders		\$	<u>20,956,772</u>
Total Liabilities and Surplus		\$	<u>20,959,198</u>

INCOME STATEMENT

For the year ended December 31, 2006

Line	Current Year
Premiums earned	\$ -
Losses incurred	792,216
Loss expenses incurred	-
Other underwriting expenses incurred	939
Aggregate write-ins for underwriting deductions	-
Total underwriting deductions	(793,155)
Net investment income earned	1,123,763
Net realized capital gains (losses)	(10,811)
Net investment gain (loss)	1,112,952
Net income before dividends and income taxes	319,797
Federal and foreign income taxes incurred	(126,801)
Net income	<u>\$ 192,996</u>

CAPITAL AND SURPLUS

Surplus as regards policyholders, December 31 prior year	\$ 20,803,936
Net income	192,996
Change in net deferred income tax	(49,219)
Change in nonadmitted assets	9,059
Change in surplus as regards policyholders for the year	<u>152,836</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 20,956,772</u>

NOTES TO THE FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND RECOMMENDATIONS

Management

page 4

The board of directors had eight members as of December 31, 2006 while the articles of incorporation call for a board consisting of between nine and twenty members. This condition existed until November 26, 2007 when the ninth member was selected. In the future, the board should fill vacancies in a timely manner.

SUBSEQUENT EVENTS

On July 2, 2007, the Company was sold to Rockhill Insurance Company, an Arizona domiciled company. The name of the Company was subsequently changed to Plaza Insurance Company and the operations were moved to Kansas City, Missouri.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and the employees of National Alliance Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Rick Stamper, CFE, Dave Schaper, and Andy Balas, CFE, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination. Consulting actuary, Jon W. Michelson, FCAS, MAAA, from Expert Actuarial Services, LLC evaluated the adequacy of the Company's loss related reserves.

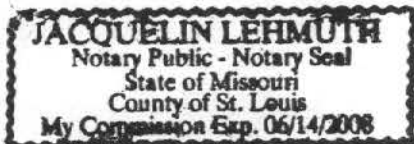
VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, Robert P. Jordan, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Robert P. Jordan

Robert P. Jordan, CFE
Examiner-in-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration




Sworn to and subscribed before me this 6 day of May 2008
My commission expires: 6-14-2008 James Edmund

Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

confirmed.


Christiana Dugopolski, CFE, CPA

Christiana Dugopolski, CFE, CPA
Audit Manager, St. Louis
Missouri Department of Insurance, Financial
Institutions and Professional Registration

GMAC Insurance

June 11, 2008

Frederick G. Heese
Missouri Department of Insurance
PO Box 690
Jefferson City, MO 65102-0690

Dear Mr. Heese:

We received the Examination Report for National Alliance Insurance Company, the "Company", for the period ending December 31, 2006. This letters serves as the Company's response to the Examination Report.

Page 8 of the Examination Report labeled Employee Benefits and Pension Plan assumes GMAC Insurance Holdings, Inc. was the employer which is incorrect. The employer that provides these benefits to employees is GMAC Insurance Management Corporation. In addition, Page 14 of the report labeled General Comments and Recommendations contains a comment regarding the number of members on the board of directors being inconsistent with the articles of incorporation. On July 2, 2007, the Company was sold to Rockhill Insurance Company. The name of the Company was subsequently changed to Plaza Insurance Company.

We would like this response to be included in the report as a public document.

Should you need additional information please contact me by phone – 336.770.2218 or by email, Rebecca.Boone@gmacinsurance.com.

Regards,



Rebecca Boone
Assistant Treasurer
GMAC Insurance – Personal Lines

RECEIVED

JUN 19 2008

**INSURANCE SOLVENCY
&
COMPANY REGULATION**